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E.O. 12958: DECL: 09/21/2016

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SUBJECT: UN SCALE OF ASSESSMENTS: EXPERT LEVEL MEETING WITH
THE UNITED KINGDOM

Classified By: Ambassador Mark Wallace for reason 1.4B and D

¶1. (C) On September 20, USdel met with UK Fifth Committee delegate Wasim Mir to discuss the UN scale of assessment methodology. Mir emphasized that the European Union collectively is assessed well beyond its capacity to pay, and the group's bottom line is to ensure that it does not see any increase in its rate in the 2007-2009 period. Under the current (2004-2006) scale, the EU collectively is assessed 36.525 per cent. Should the methodology remain the same, its rate would increase to 38.836 per cent. While the EU has not yet agreed upon a common position, Mir believed that a position would be reached in capitals by September 25 and that a key element of the group's position in maintaining its current rate would be to extend the base period from its current 4.5 years to 6 years. Under a 6 year base period, and assuming that all other elements of the methodology remained the same, the EU collective rate would be 38.123 per cent, leaving 1.598 per cent still to be found to keep the group's rate at its current level. As such, there were two logical places for the EU to seek changes to make up the difference: the low per capita income adjustment (gradient) and the ceiling.

¶2. (C) USdel emphasized that rather than challenging the ceiling rate, which at its current level is a redline for the USG and therefore will not yield results for the EU, the EU should seriously consider working with the U.S. and other major financial contributors on advocating changes to the gradient which currently affords an 80 per cent discount to 132 countries. USdel also stressed that the USG has always supported a shorter base period, and that a 6 year base period would be particularly difficult for some countries, not least Japan (which is seeking a 3 year base period).

¶3. (C) While Mir agreed that there could be considerable room for cooperation on gradient possibilities (including a sliding gradient or a cap on the percentage that a country could benefit from the gradient -- for instance, not more than .5 per cent), he argued that if the ceiling remains intact then the U.S. should have no objection to a longer base period because the U.S. rate would remain the same. He also pointed out that under the current methodology, Japan will see a considerable decrease in its rate, and he believed that whether it ended up with a rate of 16.624 per cent (under the current base period) or 17.442 per cent (under a 6 year base period) Japan would be able to "announce a victory" to its Diet because its rate has decreased from the current level of 19.468 per cent. Mir also clearly stated that if the U.S. wants any help from the EU in maintaining the current ceiling rate, then it would need to find a way to support the EU's goal of maintaining its current collective rate. He said the choice was clear for the U.S.: either support the EU with a 6 year base period and other adjustments to keep its rate static in exchange for support on the ceiling, or support the Japanese.

¶4. (C) As for "making up the difference" in the EU rate, Mir agreed that it was time for some major developing countries to assume a greater share of the UN's financing. He expressed his concern that Japan's proposal for a floor was viewed by many as being toxic and, if pushed by Japan this fall, would make it very difficult to get any increase in rates for Russia and China which already feel distinctly targeted by Japan. Alternatively, major contributors should privately approach China and Russia (as well as Brazil, India, and Argentina) to voluntarily increase their rates.

¶5. (C) At the same time, Mir expressed appreciation for the USG idea of a sliding gradient and he believed a common approach in the General Assembly on modifying the gradient should be seriously considered. He also appeared to be open to the idea of a future application of purchasing power parity but stressed that the time has not yet come to have it included in the scale, not least because most delegations do not understand the link between the PPP concept and the principle of capacity to pay. Mir concluded by repeating his opening comment that it would be worthwhile for U.S. and UK capitals to begin a dialogue on how to mutually support each other's goals for the scale methodology.

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